

## **FINANCE COMMITTEE REPORT**

June 5, 2012

A Finance Committee meeting was held Tuesday, June 5, 2012 at 5:30 p.m. in the County Administration Building, Quorum Court Meeting Room, 215 East Central, Bentonville, Arkansas.

Committee Members Present: Allen, J. Harrison, Moore, Jones, Douglas, Winscott, Curry

Others Present: County Judge Bob Clinard, JP Shirley Sandlin, Comptroller Richard McComas, Accounting Manager Sarah Daniels, Director of Road Department Scott Stober, County Grants Administrator Kati Rose, Administrator of Public Safety Marshal Watson, Administrator of General Services Elizabeth Bowen

Tom Sissom – Benton County Daily Record

Chair JP Allen called the meeting to order.

### **Grants Administrator Report**

Grants Administrator Kati Rose reported that the Arkansas Administrative Office of the Courts Security and Emergency Preparedness Grant for additional courthouse security cameras was not awarded to the county.

Kati stated that she is requesting approval to apply for the Arkansas Department of Rural Services – Rural Community Development Grant for \$15,000 with a 50% match coming from the NEBCO Volunteer Fire Department to purchase a pumper truck.

JP Douglas made motion to approve Grants Administrator Kati Rose to apply for the Arkansas Department of Rural Services – Rural Community Development grant, and forward to the June 12, 2012 Committee of Thirteen agenda, seconded by JP J. Harrison.

Approval was given to allow Katie to apply for the Arkansas Department of Rural Services – Rural Community Development Grant for the NEBCO Volunteer Fire Department.

### **PUBLIC COMMENT**

Bill Millager of Rogers expressed his opinion of the Memorandum of Intent between Benton County, Arkansas and Arkansas Electric Cooperative Corporation to enter into Payments in Lieu of Tax Agreement (PILOT) for the purpose of making certain environmental additions to the Flint Creek Power Plant. He stated that it would be extremely risky to approve anything before the details of the proposed lease, including year-by-year financial tabulations, are presented and fully understood.

### **AECC Pilot Program**

JP Tom Allen recognized Michael W. Henderson Vice President & Chief Financial Officer of the Arkansas Electric Cooperative Corporation and asked that he brief the committee on what they are proposing.

Michael Henderson stated this Memorandum of Intent is a proposal that Benton County Arkansas enter into Payments in Lieu of Tax Agreement (PILOT) with Arkansas Electric Cooperative Corporation (AECC) for the purpose of making certain environmental additions to the Flint Creek Power Plant more economical for the consumer/member of the 17 electric distribution cooperatives in Arkansas. He stated that AECC owns 50% of the Flint Creek Power Plant with Southwestern Electric Power and Arkansas Electric Cooperative (SWEPCO) owning 50%. He stated that the Flint Creek Power Plant provides power 24 hours per day, and that it's the only busload power plant in Northwest Arkansas.

Michael reported that the Arkansas Electric Cooperative Corporation (AECC) will sell its interest in the environmental additions to the County for \$205,000,000; the County will issue bonds under the provisions of the ACT 9 of the Arkansas General Assembly in the amount of \$205,000,000; and that AECC will purchase the bonds that the County issues to fund its purchases. He added by the time that the bonds are issued AECC will enter into a lease agreement with the County to control, operate and be legally responsible for the environmental assets and that these lease payments will equal the amount of the bond payments. He stated that the environmental assets sold to the County will be exempt from ad valorem taxes, and that the PILOT will identify a series of payments that AECC will pay to the County in lieu of ad valorem tax payments that will be approximated at \$1,751,046 over a 32 year period, and that this reflects an effective tax abatement of 95% on the specific environmental assets.

JP Allen stated that some of the things for consideration if AECC was to go forward would be the construction impact and number of employees to be hired, would be a benefit to the County.

Michael reported the benefits of executing a PILOT with AECC:

- It makes the environmental requirements for Flint Creek more economical for AECC.
- County and School District would continue to receive taxes on the base plant on which they are accustomed, normal growth as well as the increased PILOT payments.
- Economic impact to the community:
  - 500 Construction jobs
  - 19 Permanent Jobs
  - \$410 million (\$205 million or 50% by AECC) investment in environmental
  - Base plant value continues to grow and stays on the tax rolls.
- School districts must be notified.
- DF&A, ADED & APSC must approve.
- Estimated that the improvements were to be completed by 2016.

He stated no decision will be made on the improvement until the Environmental Protection Agency (EPA) give its final determination on what the standards have to be. He stated that the estimated costs for the project are \$410 million with each partner responsible for half. He added that the County and the Gentry School District would continue to receive ad valorem taxes on the existing base plant, and that the Flint Creek Power Plant will continue in operation.

JP Allen stated the improvement is anticipated to create about 500 construction jobs and 19 permanent jobs at the plant and if we were to lose those jobs, it would be a big hit for the county, and further the county would also lose the tax base.

Lengthy discussion was held on the proposed Payment in Lieu of tax Agreement (PILOT) program for the Flint Creek Power Plant between Benton County and the Arkansas Electric Cooperative Corporation.

JP Douglas stated basically this is just a way to title the new equipment in the county's name to where the county doesn't pay property taxes on the equipment. They pay us rent and we pay them back.

JP Sandlin stated that the City of Gentry and the Gentry School District should be made aware of this proposal and that everyone needs to be on board.

Discussion was held on the EPA requirements for the Flint Creek Power Plant.

JP Winscott stated that he was not against this, but that he needed more time to get a better understanding of all of the details.

Richard McComas explained that payments in lieu of taxes, which are commonly referred to as "PILOT" programs are economic incentives whereby an industrial user of property makes certain payments to the local government as opposed to paying property taxes on such property. He stated that the property must be owned by a municipality or county and must be the subject of an Act 9 Bond issue by the municipality or county, and that the industrial user repays the bonds. He stated that PILOTS may be negotiated with the local governments and other taxing authorities, and that a "PILOT" program has to go through a government entity.

JP Allen stated that this something that EPA has mandated for the Flint Creek Power Plant to spend to meet their standards for environmental purposes.

JP Allen made motion to forward the Memorandum of Intent Between Benton County, Arkansas and Arkansas Electric Cooperative Corporation to the June 12, 2012 Committee of Thirteen agenda and ask Gentry Mayor Kevin Johnston and Dr. Randy Barrett, Superintendent of Gentry School District to attend the June 12, 2012 Committee of Thirteen meeting for further discussion, seconded by JP Moore.

Motion passed by unanimous show of hands vote.

#### **Discussion: Road Department - Replacement of Service Truck**

Richard McComas stated that the county had received payment for an insurance claim for a service truck that was totaled and that there is enough money in the fund to replace the service truck. He stated this does not require any new appropriation or monies.

JP Douglas made motion to allocate the funds to purchase another service truck, seconded by JP Jones.

Motion passed by unanimous show of hands vote.

**Appropriation Ordinance Request – Road Dept, Dept. 44, Fund 020**

**Additional Road Work for 2012**

Director of Road Department Scott Stober recognized Cindy Jones and Vernon Bazey of the Road Department and stated that they had worked hard on this presentation. He stated that the chip seal roads on this list are ones that the road department is trying to save; they are not roads that they are improving.

Cindy Jones reported the process for chip & seal on roads; 1) Repair potholes; 2) Clean out the ditches; 3) Repair/or install culverts; 4) Trim tree limbs and brush; 5) Install ¾" -1" asphalt level up course where needed; 6) Install chip & seal; 7) Install fog coat; 8) Striping of centerline and fog line as needed; 9) Review traffic control signs, add/repair as needed.

Cindy reported that there are 18 roads with a length of 24.1 miles for the additional chip & seal work with the total cost of \$437,240.00, with an average of \$18,142.74 per mile. She stated that an additional two roads with a length of 1.3 miles asphalt will be applied with a cost of \$69,400.00, or an average of \$53,384.62 per mile.

Vernon Bazey reported the damage to the roads in the power point presentation and explained the type of work that was needed to repair them.

Scott Stober stated this presentation shows the committee that the Road Department is going to improve roads, but right now there are too many roads deteriorating that need to be fixed before we start improving roads.

Lengthy discussion was held on the additional road work to be done by the Road Department.

JP Douglas stated that Scott Stober had presented this to the Transportation Committee and that that due to the mild winter, the Road Department got an early start with the paving and overlay projects and that they were going to run out of money before they run out of time. He stated that in the 2012 budget; \$1.2 million was appropriated for the Fisher Ford Bridge, and \$600,000 for the Colonel Meyers Road Bridge. He stated that since State Aid funds have been made available for the Colonel Meyers Road Bridge that will save the county \$540,000; he suggested taking the funds appropriated for the Colonel Meyers Road Bridge and use those funds for the additional work in the Road Department.

Further discussion was held on appropriating additional funds to the Road Department for the additional road work.

JP Moore made motion to approve and forward the appropriation ordinance request to the June 12, 2012 Committee of Thirteen agenda, seconded by JP Curry

Motion passed by unanimous show of hands.

**Appropriation Ordinance Request:**

**Judge Fryauf, Dept. 64, Fund 461**

Richard McComas stated this appropriation ordinance request is to appropriate money received from the Adult Drug Court grant tied with the SAMHSA grant for training expenses.

JP Moore made motion to approve and forward the appropriation ordinance request to the June 12, 2012 Committee of Thirteen agenda, seconded by JP Curry.

Motion passed by unanimous show of hands vote.

**Appropriation Ordinance Request:**

**Courthouse Tower East, Dept. 21, Fund 440**

Richard McComas stated this appropriation ordinance request is for the renovation of the Courthouse Tower East to complete an area for the Equalization Board.

County Judge Bob Clinard stated that the work to be completed in the Courthouse Tower East for the Equalization Board is going to be decent but austere.

JP Douglas made motion to approve and forward the appropriation ordinance request to the June 12, 2012 Committee of Thirteen agenda, seconded by JPJ. Harrison.

Motion passed by unanimous show of hands vote.

**7. Sales Tax Numbers**

Richard McComas reported this is the second largest month increase this year. He stated that the sales tax receipts are up 7.80% for the month and 10.75% for the year. He added that the county is up \$273,909 for the year.

**8. Jail Collections**

Richard McComas stated that they had made an adjustment to the projected revenue for jail collections that they do each month and reduced the amount to \$1 million for the year, and that hopefully they will hit \$1 million. He stated that we have \$225,000 outstanding receivables for jail collections.

**9. Fuel Analysis**

Accounting Manager Sarah Daniels reported that the Sheriff was at 36% of their budget, and the Road Department at 52% of their budget. She added that average unleaded fuel costs have declined 9% to \$3.19 per gallon and that diesel has decreased 5% to \$3.19 per gallon. Sarah stated that year to date \$36,610 has been transferred back to the Road Department.

**10. Monthly Fund Summary**

Sarah Daniels reported on the Monthly Fund Summary report, stating that the General Fund is at 42% and the overall budget is at 39.01%.

## **8. Other Business**

County Judge Bob Clinard stated that he had never been prouder of a bunch of people than the Road Department; they are taking us to the top. Great leadership, great attitude, and everybody is coming around. We are going go get there with the leadership that we have.

County Judge Bob Clinard reported that the cost for the Spring Clean-up was \$52,000. He stated that \$40,000 was in the budget for a Fall Clean-up, and that an additional \$12,000 needs to be appropriated to pay for the Spring Clean-up. He stated that Administrator of General Services Elizabeth Bowen has estimated that the Fall Clean-up could be \$70,000, and they will come back and ask for that later.

Discussion was held on the costs for the spring and fall clean-ups and preparing an appropriation ordinance for \$12,000 for the Spring Clean-up to be presented at the July 3, 2012 Finance Committee meeting.

JP Allen announced that the next Finance Committee meeting will be held July 3, 2012 at 5:30 p.m.

Upon motion and second the meeting adjourned at 7:34 p.m.